

Massachusetts Electric

A National Grid Company



Amy G. Rabinowitz
Counsel

December 21, 2004

Mary L. Cottrell, Secretary
Dept. of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

**Re: D.T.E. Docket 99-60, Investigation by the Department of
Telecommunications and Energy on its own Motion into the Pricing and
Procurement of Default Service Pursuant to G.L. c. 164, § 1B(d).**

Dear Secretary Cottrell:

Massachusetts Electric Company and Nantucket Electric Company (collectively the "Companies") hereby submit the results of their most recent solicitation for Default Service prices and proposed retail rates for the Default Service pricing options for the industrial customer group resulting from the solicitation for the three month service period beginning February 1, 2005. In general, the proposed Default Service rates represent an increase from the respective Default Service rates currently in effect. I am also enclosing a motion for confidential treatment of the Companies' analysis of the default service bids, and am providing the confidential analysis directly to Hearing Officer Jeanne Voveris.

On November 12, 2004, the Companies issued a Request for Power Supply Proposal ("RFP") to supply 100% of the Companies' industrial customer group Default Service needs for the period February 2005 through April 2005. Bidders were required to provide zone-specific bids for each of the three locational marginal pricing zones in which the Companies provide Default Service. The retail Default Service prices for the periods February 2005 through April 2005 for industrial Default Service resulting from the winning bids are contained in Attachment 1 to this letter.

This RFP also requested bids to supply Standard Offer Service, as approved by the Department on March 10, 2004. For Standard Offer Service, this procurement covered almost 100% of the Companies' industrial Standard Offer Service supply needs for the month of February 2005. A small portion of the Companies' Standard Offer Service is supplied from long-term contracts that expire on February 28, 2005.

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Consistent with the Companies' Default Service prices currently in effect, the proposed Default Service rates included in this filing include an estimate of the costs associated with the Companies' compliance with the Massachusetts Renewable Portfolio Standards ("RPS") that became effective on January 1, 2003. As set forth in the confidential analysis, the Companies are procuring RPS compliant certificates for a portion of their Default Service load as part of this Default Service solicitation. A portion of the Companies' Default Service procurement does not include the purchase of RPS compliance certificates. In the past, the Department has preferred to include in Default Service rates a level of RPS that was indicative of the market for RPS. Therefore, the Companies have included in their Default Service rates the value of RPS included in the winning bids for the entire Default Service load RPS obligation. The Companies believe that the RPS procurement cost for a portion of its Default Service load is a reasonable market proxy for the RPS compliance obligation associated with the total Default Service load covered by this solicitation.

Attachment 2 contains the Companies' calculation of the Default Service rates for the three-month fixed price option for the industrial customer group. Attachment 3 includes the revised tariff supplement to the Companies' Tariff for Default Service¹, containing the proposed fixed and variable Default Service rates for the periods February 2005 through April 2005 for the industrial customer group. The Companies are proposing that these rates become effective for usage on and after February 1, 2005.

Thank you very much for your time and attention to the Companies' filing.

Very truly yours,


Amy G. Rabinowitz

cc: DTE 99-60 Service List

¹ Both Companies' Tariff for Default Service is M.D.T.E. No. 1041.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Investigation by the Department of
Telecommunications and Energy on its
own motion into the Pricing and
Procurement of Default Service
Pursuant to G.L. c. 164, §1B(d)

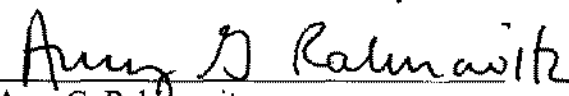
D.T.E. 99-60

**Motion of Massachusetts Electric Company and Nantucket Electric Company
For Confidential Treatment**

Pursuant to Mass. Gen. Laws c. 25, §5D, Massachusetts Electric Company and Nantucket Electric Company (collectively "Companies") hereby move for confidential treatment of the analysis of default service and standard offer bids that the Companies received in response to its Request for Power Supply Proposal ("RFP") requesting bids for the period February 1, 2005 through April 30, 2005.

The data contained in the rankings constitutes sensitive proprietary information. Protecting this information from public disclosure is in the public interest because disclosure would make public all of the competitive bids received in the RFP process. Although participants understood that the resulting rates would be tied to the Companies' supply contract prices, the disclosure of all of the competing bids could have adverse competitive effects on future bids for default service, not only for the Companies, but also for other utilities in the state that will need to seek bids for default service.

Respectfully submitted,
MASSACHUSETTS ELECTRIC COMPANIES
NANTUCKET ELECTRIC COMPANIES
By their attorney,


Amy G. Rabinowitz
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Westboro, MA 01582

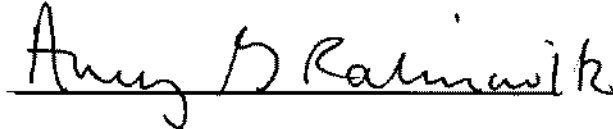
Dated: December 21, 2004

D.T.E. 99-60 Motion for Confidential Treatment

CERTIFICATE OF SERVICE

I hereby certify that on December 21, 2004, I served a copy of the Motion of Massachusetts Electric Company and Nantucket Electric Company for Confidential Treatment on the Service List in D.T.E. 99-60 by personal delivery or first class mail.

Signed under the pains and penalties of perjury

A handwritten signature in black ink, reading "Amy G. Rabinowitz", is written over a horizontal line.

Amy G. Rabinowitz
Attorney for Massachusetts Electric Companies and
Nantucket Electric Companies

Dated: December 21, 2004

ATTACHMENT 1

**Massachusetts Electric Company
Nantucket Electric Company**

**Default Service Prices (cents per kWh at retail)
Industrial: February 2005 - April 2005**

Customer Group	Contract Month	1	2	3
	Calendar Month	2	3	4
	Year	2005	2005	2005
Industrial				
SEMA		8.468	7.416	6.346
WCMA		8.751	7.500	6.957
NEMA		8.683	7.330	6.756
Portion of load served		100%	100%	100%

Footnotes

1) Monthly prices calculated as the average cost of supply
(converted to retail delivery) in a confidential submission under
separate cover.

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
Docket D.T.E. 99-60

ATTACHMENT 2

**Massachusetts Electric Company
Nantucket Electric Company**
Summary of Proposed Default Service Charges
February 2005 - April 2005

		Zonal Default Service Charges		
		NEMA	SEMA	WCMA
		Industrial	Industrial	Industrial
		<u>(G-2, G-3)</u>	<u>(G-2, G-3)</u>	<u>(G-2, G-3)</u>
		(a)	(b)	(c)
<u>Section 1: Variable Default Service Charges, ¢/kWh</u>				
(1)	February 2005	8.683	8.468	8.751
(2)	March 2005	7.330	7.416	7.500
(3)	April 2005	6.756	6.346	6.957
<u>Section 2: Fixed Default Service Charge, ¢/kWh</u>				
(4)	February 2005 - April 2005	7.599	7.421	7.745
<hr/>				
(1)	NEMA G-2,G-3: Page 2, Line (8), Column (a) SEMA G-2,G-3: Page 3, Line (8), Column (a) WCMA G-2,G-3: Page 4, Line (8), Column (a)			
(2)	NEMA G-2,G-3: Page 2, Line (8), Column (b) SEMA G-2,G-3: Page 3, Line (8), Column (b) WCMA G-2,G-3: Page 4, Line (8), Column (b)			
(3)	NEMA G-2,G-3: Page 2, Line (8), Column (c) SEMA G-2,G-3: Page 3, Line (8), Column (c) WCMA G-2,G-3: Page 4, Line (8), Column (c)			
(4)	NEMA G-2,G-3: Page 2, Line (10), Column (d) SEMA G-2,G-3: Page 3, Line (10), Column (d) WCMA G-2,G-3: Page 4, Line (10), Column (d)			

**Massachusetts Electric Company
Nantucket Electric Company**
NEMA Industrial Fixed Default Service Charge
(Rates G-2 and G-3)
Based on Weighted Average Effective Default Service Prices
February 2005 - April 2005

Section 1: Percentage of Industrial kWhs Attributable to Default Service in NEMA

(1)	November 2004 Industrial Default Service kWhs in the NEMA Zone	24,582,177
(2)	November 2004 Total Industrial kWhs	867,705,744
(3)	Percentage of NEMA Industrial Default Service kWhs to Total Industrial kWhs	2.83%

Section 2: Projected NEMA Industrial Default Service kWhs, February 2005 - April 2005

		2005			
		<u>February</u>	<u>March</u>	<u>April</u>	<u>Total</u>
		(a)	(b)	(c)	(d)
(4)	Projected Total Company Industrial kWhs	938,140,778	928,718,257	907,834,979	2,774,694,014
(5)	Percentage of NEMA Industrial Default Service kWhs to Total Industrial kWhs	<u>2.83%</u>	<u>2.83%</u>	<u>2.83%</u>	
(6)	Projected NEMA Industrial Default Service kWhs	26,577,607	26,310,667	25,719,042	78,607,316

Section 3: Weighted Average NEMA Industrial Default Service Charge for February 2005 - April 2005

(7)	Projected NEMA Industrial Default Service kWhs	26,577,607	26,310,667	25,719,042	78,607,316
(8)	NEMA Industrial Default Service Price per kWh (including RSP Compliance)	<u>\$0.08683</u>	<u>\$0.07330</u>	<u>\$0.06756</u>	
(9)	Projected NEMA Industrial Default Service Cost, February 2005 - April 2005	\$2,307,734	\$1,928,572	\$1,737,578	<u>\$5,973,884</u>
(10)	Weighted Average NEMA Industrial Default Service Charge, Fixed Price Option, for February 2005 - April 2005				\$0.07599
(11)	Currently Effective NEMA Industrial Default Service Charge, Fixed Price Option				\$0.06875
(12)	Proposed Increase to NEMA Industrial Default Service Charge, Fixed Price Option				\$0.00724

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- (1) Per Company billing records based upon Load Zone designation for each customer account
(2) November 2004 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates G-2 and G-3)
(3) Line (1) ÷ Line (2)
(4) Per Company forecast
(5) Line (3)
(6) Line (4) x Line (5)
(7) Line (6)
(8) Attachment 1. Price includes estimate for RPS compliance; price for 1 block not supplied by supplier assumed as same price as price for 2 blocks being supplied by supplier.
(9) Line (7) x Line (8)
(10) Line (9) total ÷ Line (7) total, truncated after 5 decimal places
(11) Per Company tariff
(12) Line (10) - Line (11)

**Massachusetts Electric Company
Nantucket Electric Company**
SEMA Industrial Fixed Default Service Charge
(Rates G-2 and G-3)
Based on Weighted Average Effective Default Service Prices
February 2005 - April 2005

Section 1: Percentage of Industrial kWhs Attributable to Default Service in SEMA

(1)	November 2004 Industrial Default Service kWhs in the SEMA Zone	38,730,982
(2)	November 2004 Total Industrial kWhs	867,705,744
(3)	Percentage of SEMA Industrial Default Service kWhs to Total Industrial kWhs	4.46%

Section 2: Projected SEMA Industrial Default Service kWhs, February 2005 - April 2005

		2005 <u>February</u> (a)	<u>March</u> (b)	<u>April</u> (c)	<u>Total</u> (d)
(4)	Projected Total Company Industrial kWhs	938,140,778	928,718,257	907,834,979	2,774,694,014
(5)	Percentage of SEMA Industrial Default Service kWhs to Total Industrial kWhs	<u>4.46%</u>	<u>4.46%</u>	<u>4.46%</u>	
(6)	Projected SEMA Industrial Default Service kWhs	41,874,926	41,454,341	40,522,194	123,851,461

Section 3: Weighted Average SEMA Industrial Default Service Charge for February 2005 - April 2005

(7)	Projected SEMA Industrial Default Service kWhs	41,874,926	41,454,341	40,522,194	123,851,461
(8)	SEMA Industrial Default Service Price per kWh (including RSP Compliance)	<u>\$0.08468</u>	<u>\$0.07416</u>	<u>\$0.06346</u>	
(9)	Projected SEMA Industrial Default Service Cost, February 2005 - April 2005	\$3,545,969	\$3,074,254	\$2,571,538	<u>\$9,191,761</u>
(10)	Weighted Average SEMA Industrial Default Service Charge, Fixed Price Option, for February 2005 - April 2005				\$0.07421
(11)	Currently Effective SEMA Industrial Default Service Charge, Fixed Price Option				\$0.06646
(12)	Proposed Increase to SEMA Industrial Default Service Charge, Fixed Price Option				\$0.00775

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- (1) Per Company billing records based upon Load Zone designation for each customer account
(2) November 2004 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates G-2 and G-3)
(3) Line (1) ÷ Line (2)
(4) Per Company forecast
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Massachusetts Electric Company
Nantucket Electric Company
WCMA Industrial Fixed Default Service Charge
(Rates G-2 and G-3)
Based on Weighted Average Effective Default Service Prices
February 2005 - April 2005

Section 1: Percentage of Industrial kWhs Attributable to Default Service in WCMA

(1)	November 2004 Industrial Default Service kWhs in the WCMA Zone	69,434,833
(2)	November 2004 Total Industrial kWhs	867,705,744
(3)	Percentage of WCMA Industrial Default Service kWhs to Total Industrial kWhs	8.00%

Section 2: Projected WCMA Industrial Default Service kWhs, February 2005 - April 2005

		2005 <u>February</u> (a)	<u>March</u> (b)	<u>April</u> (c)	<u>Total</u> (d)
(4)	Projected Total Company Industrial kWhs	938,140,778	928,718,257	907,834,979	2,774,694,014
(5)	Percentage of WCMA Industrial Default Service kWhs to Total Industrial kWhs	<u>8.00%</u>	<u>8.00%</u>	<u>8.00%</u>	
(6)	Projected WCMA Industrial Default Service kWhs	75,071,127	74,317,126	72,646,022	222,034,275

Section 3: Weighted Average WCMA Industrial Default Service Charge for February 2005 - April 2005

(7)	Projected WCMA Industrial Default Service kWhs	75,071,127	74,317,126	72,646,022	222,034,275
(8)	WCMA Industrial Default Service Price per kWh (including RSP Compliance)	<u>\$0.08751</u>	<u>\$0.07500</u>	<u>\$0.06957</u>	
(9)	Projected WCMA Industrial Default Service Cost, February 2005 - April 2005	\$6,569,474	\$5,573,784	\$5,053,984	<u>\$17,197,243</u>
(10)	Weighted Average WCMA Industrial Default Service Charge, Fixed Price Option, for February 2005 - April 2005				\$0.07745
(11)	Currently Effective WCMA Industrial Default Service Charge, Fixed Price Option				\$0.06684
(12)	Proposed Increase to WCMA Industrial Default Service Charge, Fixed Price Option				\$0.01061

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- (1) Per Company billing records based upon Load Zone designation for each customer account
(2) November 2004 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates G-2 and G-3)
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ATTACHMENT 3

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY

SUPPLEMENT TO TARIFF FOR DEFAULT SERVICE

FOR THE PERIOD FEBRUARY 2005 THROUGH APRIL 2005

In accordance with the terms of the Tariff for Default Service, the rates for Default Service for customers receiving such service from the Company are as follows. All rates will be applied as a uniform ¢ per kWh charge, for usage on and after the first day of each calendar month.

	Rate Tariff						
	R-1			G-2, G-3			S-1, S-2
	<u>R-4, E</u>	<u>R-2</u>	<u>G-1</u>	<u>SEMA</u>	<u>WCMA</u>	<u>NEMA</u>	<u>S-3, S-5, S-20</u>
Fixed Price Option:	7.093¢		6.822¢	7.421¢	7.745¢	7.599¢	6.822¢
November 2004 – February 2005:		6.802¢					
March 2005 – April 2005:		7.093¢					
Variable Price Option:							
November 2004	6.193¢	6.193¢	5.915¢	n/a	n/a	n/a	5.915¢
December 2004	6.771¢	6.771¢	6.519¢	n/a	n/a	n/a	6.519¢
January 2005	7.969¢	6.802¢	7.728¢	n/a	n/a	n/a	7.728¢
February 2005	7.971¢	6.802¢	7.691¢	8.468¢	8.751¢	8.683¢	7.691¢
March 2005	6.970¢	6.970¢	6.738¢	7.416¢	7.550¢	7.330¢	6.738¢
April 2005	6.283¢	6.283¢	6.077¢	6.346¢	6.957¢	6.756¢	6.077¢

The Fixed Price Option for Residential and Commercial customer groups (R-1, R-4, E, G-1, S-1, S-2, S-3, S-5, S-20) is effective for the period November 1, 2004 through April 30, 2005. The Fixed Price Option for the Low Income Residential customer group (R-2) is set equal to the effective Standard Offer Service rate for the period November 1, 2004 through February 28, 2005 (the end of Standard Offer Service) and is reset to the effective Fixed Price Option for all other residential customers in the Residential customer group for the period March 1, 2005 through April 30, 2005. The Fixed Price Option for the Industrial customer group (G-2, G-3) is effective for the period February 1, 2005 through January 31, 2005.

Effective: February 1, 2005